

UNIFIED SCHOOL DISTRICT NUMBER 368
Paola, Kansas

**FINANCIAL STATEMENT
AND
INDEPENDENT AUDITOR'S REPORT**

June 30, 2018

UNIFIED SCHOOL DISTRICT NUMBER 368

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District Number 368

Report on Financial Statements

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Unified School District Number 368 of Paola, Kansas, as of and for the year ended June 30, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note C to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note C of the financial statement, the financial statement is prepared by Unified School District Number 368 of Paola, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District Number 368 of Paola, Kansas as of June 30, 2018, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Unified School District Number 368 of Paola, Kansas as of June 30, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

Other Matters

Report on Supplementary Information


Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures - actual and budget, individual fund schedules of regulatory basis receipts and expenditures - actual and budget, schedule of regulatory basis receipts and expenditures - agency funds, schedule of regulatory basis receipts and expenditures - district activity funds and schedule of regulatory basis receipts and expenditures - endowment (Schedules 1, 2, 3, 4 and 5 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying Schedule of Expenditures of Federal Awards is also presented for purposes of additional analysis as required by *Title 2 U.S. code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2018, on our consideration of Unified School District Number 368's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Unified School District Number 368's internal control over financial reporting and compliance.

Prior Year Comparative

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basis financial statement of Unified School District Number 368 as of and for the year ended June 30, 2017 (not presented here in), and have issued our report thereon dated November 10, 2017, which contained an unmodified opinion on the basic financial statement. The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electric form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures - actual and budget for the year ended June 30, 2018 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended June 30, 2017, on the basis of accounting described in Note C.



Agler & Gaeddert, Chartered
September 20, 2018

Unified School District Number 368
Paola, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
For the Year Ended June 30, 2018

	Beginning Unencumbered Cash and Investments	Prior Year Cancelled Encumbrances	Receipts	Expenditures
Governmental Type Funds				
General Funds				
General	\$ 0	\$ 0	\$ 12,242,788	\$ 12,242,788
Supplemental General	209,715	0	4,591,881	4,449,314
Special Purpose Funds				
Adult Education	11,374	0	228,488	228,488
Adult Supplementary Education	34,682	0	36,999	28,618
At Risk	773,088	0	1,250,000	1,205,806
Bilingual Education	29,276	0	20,000	17,289
Virtual Education	50	0	30,000	26,950
Capital Outlay	4,756,776	0	2,247,380	2,933,672
Driver Training	30,700	0	27,086	18,471
Food Service	473,953	0	926,710	966,225
Professional Development	143,298	0	45,920	37,356
Parent Education Program	13,715	0	343,939	343,939
Special Education	1,943,945	0	3,138,232	2,841,392
Vocational Education	981,563	0	542,761	524,912
Kansas Public Retirement System	0	0	2,558,848	2,558,848
Coop Special Education	2,199,288	0	14,144,705	14,697,905
Special Assessment	26,342	0	77	0
Title I	0	0	320,954	320,954
Title II A-Teacher Quality Improve	0	0	51,817	51,817
Vocational Education-Carl Perkins	0	0	31,889	31,889
Contingency Reserve	1,144,000	0	0	0
Student Material Revolving	536,148	0	200,225	181,093
Gate Receipts and User Charges	7,801	0	262,668	259,100
Bond & Interest Funds				
Bond and Interest	2,883,748	0	2,252,265	1,769,032
Capital Project Funds				
Construction	273,584	0	0	273,584
Business Type Funds				
Health Insurance	766,296	0	2,264,261	2,851,873
Trust Type Funds				
Expendable Trust Funds				
Scholarship and Other Trusts	106,657	0	105,189	90,635
Nonexpendable Trust Funds				
Scholarship	258,094	0	3,945	3,945
Related Municipal Entity				
Endowment Trusts	2,501,415	0	518,362	467,138
Total reporting entity (excluding agency funds)	\$ 20,105,508	\$ 0	\$ 48,387,389	\$ 49,423,033

The accompanying notes are an integral part of this statement.

Ending Unencumbered Cash and Investments	Add Encumbrances and Accounts Payable	Ending Cash and Investments		
\$ 0	\$ 203,506	\$ 203,506	Composition of ending cash and investments	
352,282	215,477	567,759	Demand Deposits	
11,374	4,521	15,895	First Option Bank	\$ 739,112
43,063	540	43,603	Citizens State Bank	6,262,550
817,282	25,233	842,515	Activity Fund Accounts	168,026
31,987	0	31,987		
3,100	0	3,100		
4,070,484	1,970,876	6,041,360	Time Deposits	
39,315	249	39,564	Landmark Bank	193,401
434,438	23,767	458,205	First Option Bank	23,650
151,862	1,347	153,209	First Option Bank	736,961
13,715	43,364	57,079	First Option Bank	11,393,004
2,240,785	1,135	2,241,920	First Option Bank	258,094
999,412	9,786	1,009,198		
0	0	0		
1,646,088	29,185	1,675,273	Less Agency funds per Schedule 3	(153,642)
26,419	0	26,419		
0	0	0		
0	0	0		19,621,156
0	0	0	Investments	
1,144,000	0	1,144,000	Stocks and Bonds of Endowment Trust	2,552,639
555,280	9,386	564,666		
11,369	3,015	14,384		
			Total cash and investments	\$ 22,173,795
3,366,981	0	3,366,981		
0	0	0		
178,684	558,278	736,962		
121,211	4,266	125,477		
258,094	0	258,094		
<u>2,552,639</u>	<u>0</u>	<u>2,552,639</u>		
<u>\$ 19,069,864</u>	<u>\$ 3,103,931</u>	<u>\$ 22,173,795</u>		

The accompanying notes are an integral part of this statement.

**Unified School District Number 368
Paola, Kansas**

**NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2018**

NOTE A. MUNICIPAL REPORTING ENTITY

Unified School District Number 368 is a municipal corporation governed by an elected seven member board. This financial statement presents the Unified School District Number 368 (the municipality). The financial statement includes the municipality and a related municipal entity known as the Endowment.

The Unified School District Number 368 Endowment governing board is a volunteer group. The Endowment receives donations from the public and disburses these funds to eligible students from Paola High School.

NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the District are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The District potential could have the following types of funds.

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenues sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund – funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.).

Trust Funds – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Funds – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

NOTE C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America - The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above. Unified School District Number 368 has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Unified School District Number 368
Paola, Kansas

NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2018

NOTE D. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget.
3. Public hearing after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

Adjustment to Comply with Legal Max – Unified school districts use this line item (for use in the budget column only) to adjust the certified budget to comply with the “Legal Max” budget. The State Board of Education calculates the “Legal Max” budget using enrollment figures. The District’s budgeted expenditures are limited to the lower of the published budget or the “Legal Max” budget.

Adjustment for Qualifying Budget Credits – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year’s accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the following special purpose funds, capital project funds, business funds and trusts:

Title I

Title II A

Vocational Education – Carl Perkins

Contingency Reserve

Student Materials Revolving

Health Insurance

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board.

Unified School District Number 368
Paola, Kansas

NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2018

NOTE E. DEPOSITS AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated to designated funds. All investments are stated at cost.

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the District or in an adjoining District if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices. The District rates investments (if any) as noted.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at June 30, 2018.

At June 30, 2018, the carrying amount of the District's bank deposits was \$19,774,798 and the bank balance was \$21,610,107. The bank balance was held by four banks reducing concentration risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$695,316 was covered by federal depository insurance and \$20,914,791 was collateralized with securities held by the pledging financial institution's agents in the District's name.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured.

Concentration of credit risk - State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The District had the following investments and maturities as of June 30, 2018. Fair value is based upon quoted market values:

The Unified School District Number 368 Endowment has bank deposits of \$42,064 and the bank balance was \$169,048. The difference between carrying amount and bank balance is outstanding checks and deposits. The balance was held by one bank which increases concentration risk. Of the bank balance \$169,048 was covered by federal depository insurance.

Concentration of credit risk – Endowment investment policy places no limit on the amount the Endowment may invest in any one issuer. The Endowment had the following investments and maturities as of June 30, 2018. Fair value is based upon quoted market values:

Unified School District Number 368
Paola, Kansas

NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2018

NOTE E. DEPOSITS AND INVESTMENTS - continued

Investments - Endowment Investment Type	Cost	Fair Value	Investment Maturities		Percent of Investment	Rating U.S.
			Less than 1	2 yrs or more		
Money Market	\$ 336	\$ 336	\$ 336	\$ 0	0.000	N/A
Bonds	66,507	15,073	0	15,073	0.006	S&P A-1+
Stocks	7,948	13,370	13,370	0	0.005	S&P A-1+
Mutual funds	2,020,081	2,481,796	2,481,796	0	0.989	S&P A-1+

NOTE F. IN-SUBSTANCE PAYMENTS

The District received \$657,877 for general fund and \$188,843 for supplemental general fund subsequent to June 30, 2018 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2018.

NOTE G. CAPITAL PROJECTS

In June 2014, a bond issue was passed. The bond issue addressed the District needs for safety and security, tornado shelters, renovations and to make additions to Cottonwood Elementary, Sunflower Elementary, Paola Middle School, Adult Education Center and Paola High School and make improvements to other facilities throughout the District. The 2014 bonds also defeased \$1,245,000 in 2012 bonds. These projects have been completed over the few years.

USD #368 Capital Projects		Projected Cost	Actual Cost
Phase 2	Includes bond proceeds, transfer & gains	\$ 18,606,490	\$ 18,642,577
		\$ 18,606,490	\$ 18,642,577

NOTE H. LONG-TERM DEBT

General Long-Term Debt

Long-term obligations consisted of the following during the year:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds:				
Series 2012	1% to 2.2%	06/26/12	3,460,000	09/01/18
Series 2014	2% to 5.00%	06/05/14	18,225,000	09/01/28
Series 2016	3% to 4%	11/30/16	6,975,000	09/01/26
Series 2017	3.00%	03/30/17	4,710,000	09/01/26

Unified School District Number 368
Paola, Kansas

NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2018

NOTE H. LONG-TERM DEBT - continued

General Long-Term Debt - continued

Changes in long-term liabilities for the Unified School District Number 368 for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions/ Payments	Net Change	Ending Balance	Interest Paid
General Obligation Bonds:						
Series 2012	\$ 700,000	\$ 0	\$ 555,000	\$ (555,000)	\$ 145,000	\$ 8,452
Series 2014	5,980,000	0	665,000	(665,000)	5,315,000	165,363
Series 2016	6,975,000	0	0	0	6,975,000	245,300
Series 2017	4,710,000	0	0	0	4,710,000	129,918
	<u>\$ 18,365,000</u>	<u>\$ 0</u>	<u>\$ 1,220,000</u>	<u>\$ (1,220,000)</u>	<u>\$ 17,145,000</u>	<u>\$ 549,033</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through the maturity are as follows:

	2019	2020	2021	2022	2023	2024-2028	2029	Total
Principal								
G. O. bonds	\$ 1,675,000	1,715,000	\$ 1,770,000	\$ 1,825,000	\$ 1,880,000	\$ 8,235,000	\$ 45,000	\$ 17,145,000
Interest								
G. O. bonds	529,434	481,512	426,063	372,137	310,163	546,963	731	2,667,003
Total principal & interest	<u>\$ 2,204,434</u>	<u>\$ 2,196,512</u>	<u>\$ 2,196,063</u>	<u>\$ 2,197,137</u>	<u>\$ 2,190,163</u>	<u>\$ 8,781,963</u>	<u>\$ 45,731</u>	<u>\$ 19,812,003</u>

The District is subject to the municipal finance laws of the State of Kansas which limits the net bonded debt (exclusive of revenue bonds and special assessment bonds) the District may have outstanding to 14% of the assessed value of all tangible taxable property within the District, as certified to the County Clerk on the preceding August 25. Additional authority may be granted by the Kansas State Board of Education. At June 30, 2018, the statutory limit for the District was \$18,260,294. As of June 30, 2018 the District is under the debt margin by \$1,115,294. The District has defeased debt of \$16,335,000 for 2014 debt issue as of June 30, 2018.

Operating Leases

The District conducts a portion of its operations utilizing leases for copiers. Lease terms expire at various times. Current year rental payments under operating leases were \$29,040. Minimum future rental payments under operating leases as of June 30, 2018 are \$29,040. Subsequent payments are as follows:

2019	19,360
Total	<u>\$ 19,360</u>

Unified School District Number 368
Paola, Kansas

NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2018

NOTE I. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Special Education	K.S.A. 72-6428	\$ 2,016,751
General Fund	Vocational Education	K.S.A. 72-6428	1,799
General Fund	Professional Development	K.S.A. 72-6428	30,000
General Fund	Capital Outlay	K.S.A. 72-6428	175,863
General Fund	At-Risk (K-12)	K.S.A. 72-6428	1,250,000
General Fund	Virtual Education	K.S.A. 72-6428	30,000
General Fund	Student Material Revolving	K.S.A. 72-6428	50,000
General Fund	Bilingual	K.S.A. 72-6428	20,000
Supplemental General Local Option	Parent Education	K.S.A. 72-6433	26,340
Supplemental General Local Option	Special Education	K.S.A. 72-6433	1,058,850
Supplemental General Local Option	Vocational education	K.S.A. 72-6433	500,000
Supplemental General Local Option	Professional Development	K.S.A. 72-6433	10,000

NOTE J. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Health Insurance

During the year ended June 30, 2018, employees of the District were covered by the District's medical self-insurance plan ("the plan"). The plan was established October 1, 2004. The District's contribution is \$400 per month for a single policy up to \$450 per month for a family policy per employee. All District employees, at their option, can authorize payroll withholdings to pay non-District provided contributions. Claims are paid by a third party administrator acting on behalf of the District. The plan is documented by contractual agreement.

The administrative contract between the District and the third party administrator is renewable annually and stop-loss premiums are included in the contractual provisions. The District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through a commercial insurer licensed and eligible to do business in Kansas in accordance with Kansas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$95,000 and for aggregate loss, which is limited to \$1,000,000 annually. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). Liabilities are reported when it is probable that claims have been incurred and the amount of liability can be reasonably estimated. Claim liabilities are calculated by the plan administrator and are expected to be liquidated with expendable available financial resources. The IBNR has not been recorded in the Health Insurance Fund

	2018
Unpaid Claims, July 1	\$ 465,422
Incurred claims (including IBNR's)	2,430,340
Claim payments	2,337,484
Unpaid claims, June 30	\$ <u>558,278</u>

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retiree's health insurance plan because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been qualified in this financial statement.

Unified School District Number 368
Paola, Kansas

NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2018

NOTE J. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS – continued

Other Post Employment Benefits - continued

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Flexible Benefit Plan (I.R.C. Section 125)

The District adopted by resolution a salary-reduction flexible benefit plan (Plan) under section 125 of the Internal Revenue Service Code. All employees of the District are eligible to participate in the plan beginning the first day of the month following their employment. Each participant may elect to reduce his or her salary to purchases benefits offered through the Plan. Currently, benefits offered through the Plan include health insurance, dependent care coverage and medical reimbursement.

Compensated Absences

The District's policy is to recognize the cost of compensated absences when actually paid. The District's policies regarding sick pay permits employees to accumulate sick leave of 12 days per year or one day per month for those employees whose contract is for 10, 11, or 12 months up to a total accumulation of 100 days. Upon retirement at age 62 (or at age 60 with at least 12 years of experience within the District), certified and classified personnel will be paid for the unused sick leave at the rate of \$65 per day. The District's policy also requires reimbursement to staff of \$65 per day for each day over the 100 days at the end of the school year.

The costs of accumulated sick leave are not recorded at the time the benefits are accrued. At June 30, 2018 the District paid sick leave pay for employees who will be 62 or older on or before June 30, 2018 or have accumulated in excess of 100 days in the amount of \$54,991. The District has not estimated the dollar amount of accumulated sick leave pay for any other group of employees.

NOTE K. DEFINED BENEFIT PENSION PLANS

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas Law establishes and amends benefit provisions. KPERs issues a publically available financial report that includes financial statements and required supplementary information. KPERs' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERs website at www/kpers.org or by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49.210 establish the KPERs member-employee contribution rates. KPERs has multiple benefit structures and contribution rates depending on whether the employee is a KPERs 1, KPERs 2 or KPERs 3 member. KPERs 1 members are active and contributing members hired before July 1, 2009. KPERs 2 members were first employed in a covered position on or after July 1, 2009, and KPERs 3 members were first employed in a covered position on or after January 1, 2105. Effective January 1, 2015, Kansas law established the KPERs member-employee contribution rate at 6% of covered salary for KPERs 1, KPERs 2 and KPERs 3 members. Member contributions are withheld by their employer and paid to KPERs according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that employer contribution rates for KPERs 1, KPERs 2 and KPERs 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) was

Unified School District Number 368
Paola, Kansas

NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2017

NOTE K. DEFINED BENEFIT PENSION PLANS – continued

10.81% for the fiscal year ended June 30, 2017. The actuarially determined employer contribution rate was 12.01% for the fiscal year ended June 30, 2018. Per 2016 House substitute for Senate Bill 161, Section 98(a)(1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contributions was \$92,917,091 for the fiscal year ended June 30, 2016 and the anticipated repayments per SB249 were nullified per HB2052 during fiscal year 2017.

The State of Kansas contribution to KPERS for all school municipalities for the year ending June 30, 2017, received as of June 30th was \$304,596,361. Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state and general fund employer contributions to KPERS were decreased by \$64,130,234 for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million dollars per year.

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$2,558,848 for the year ended June 30, 2018.

Net Pension Liability

At June 30, 2018, the District's proportionate share of the collective net pension liability reported by KPERS was \$30,160,104. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2017. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of KPERS collective net pension liability to all participating employers are publically available on the website at www.kpers.org or can be obtained as described above.

NOTE L. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

NOTE M. OTHER INFORMATION

Reimbursed Expenses

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursement as revenue in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

Unified School District Number 368
Paola, Kansas

NOTES TO FINANCIAL STATEMENT
For year ended June 30, 2018

NOTE M. OTHER INFORMATION – continued

Ad valorem tax revenues

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. One-half of the property taxes are due December 20, and distributed to the District by January 20. The second half is due May 10 and distributed to the District by June 5. The District Treasurer draws other available funds from the County Treasurer at designated times throughout the year.

Compliance with Kansas Statute

The District is not aware of any violations.

Contingencies

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statement of the District at June 30, 2018.

NOTE O. SUBSEQUENT EVENTS

Subsequent Events: The District evaluated subsequent events through September 20, 2018, the date the financial statement was available to be issued. The District did not consider any events of such significance as to require disclosure.

**Required Regulatory Basis
Supplementary Information**

Unified School District Number 368
Paola, Kansas

SUMMARY OF EXPENDITURES-ACTUAL AND BUDGET
BUDGETED FUNDS
For the year ended June 30, 2018

	Certified Budget	Adjustment to Comply with Legal Max
General Funds		
General Fund	\$ 12,581,569	\$ (333,269)
Supplemental general local option	4,550,497	(101,182)
Special Purpose Funds		
Adult education	239,924	0
Adult supplementary education	74,182	0
At risk	1,638,105	0
Bilingual education	29,275	0
Virtual Education	60,050	0
Capital outlay	5,618,650	0
Driver training	64,519	0
Food service	1,470,161	0
Professional development	176,298	0
Parent education program	313,653	0
Special education	3,801,697	0
Vocational education	1,062,989	0
Kansas Public Retirement System	2,677,810	0
Co-op special education	16,085,755	0
Special assessment	26,341	0
Bond & Interest Funds		
Bond and interest	1,769,032	0

Schedule 1

Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
\$ 80,424	\$ 12,328,724	\$ 12,242,788	\$ (85,936)
0	4,449,315	4,449,314	(1)
0	239,924	228,488	(11,436)
0	74,182	28,618	(45,564)
0	1,638,105	1,205,806	(432,299)
0	29,275	17,288	(11,987)
0	60,050	26,950	(33,100)
0	5,618,650	2,933,672	(2,684,978)
0	64,519	18,471	(46,048)
0	1,470,161	966,225	(503,936)
0	176,298	37,356	(138,942)
50,438	364,091	343,939	(20,152)
0	3,801,697	2,841,392	(960,305)
0	1,062,989	524,912	(538,077)
0	2,677,810	2,558,848	(118,962)
0	16,085,755	14,697,905	(1,387,850)
0	26,341	0	(26,341)
0	1,769,032	1,769,032	0

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2a

GENERAL FUNDS
GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Interest	\$ 67,217	\$ 0	\$ 0	0
Reimbursed expenses	18,994	80,424	0	80,424
State sources				
General fund equalization aid	9,670,013	10,410,613	10,461,245	(50,632)
Special education equalization aid	1,818,261	1,751,751	2,120,324	(368,573)
KPERS equalization aid	1,622,915	0	0	0
 Total cash receipts	 13,197,400	 12,242,788	 \$ 12,581,569	 \$ (338,781)
Expenditures				
Instruction				
Salaries	4,825,379	4,465,260	\$ 4,650,324	\$ (185,064)
Employee benefits	777,742	846,635	1,051,200	(204,565)
Supplies	210,326	198,825	208,540	(9,715)
Student activities	82,513	78,887	80,175	(1,288)
Student support services				
Salaries	219,193	242,434	245,000	(2,566)
Employee benefits	24,958	27,658	34,650	(6,992)
Supplies	3,276	3,690	3,500	190
Instruction support staff				
Salaries	363,037	396,460	403,500	(7,040)
Employee benefits	30,024	32,901	35,600	(2,699)
Supplies	10,859	10,948	11,326	(378)
General administration				
Salaries	359,622	382,705	400,000	(17,295)
Employee benefits	65,666	68,735	83,200	(14,465)
Purchased professional services	22,217	14,157	25,000	(10,843)
Other	46,837	49,351	51,000	(1,649)
School administration				
Salaries	754,818	804,223	839,500	(35,277)
Employee benefits	144,434	153,536	170,000	(16,464)

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2a

GENERAL FUNDS
GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Expenditures (continued)				
Operations and maintenance				
Salaries	\$ 423,654	\$ 477,123	\$ 471,000	\$ 6,123
Employee benefits	89,963	103,566	99,400	4,166
Purchased Property Services	171,277	96,082	0	96,082
Other supplemental services				
Salaries	208,211	215,199	230,000	(14,801)
Operating transfers				
Special education	1,818,261	2,016,751	2,120,324	(103,573)
Vocational education	135,000	1,799	0	1,799
Professional development	35,000	30,000	30,000	0
Capital outlay	67,218	175,863	150,225	25,638
At risk (K-12)	570,000	1,250,000	1,138,105	111,895
KPERS	1,622,915	0	0	0
Bilingual	0	20,000	0	20,000
Virtual Education	15,000	30,000	50,000	(20,000)
Student material	100,000	50,000	0	50,000
Adjustment to comply with				
legal maximum	0	0	(333,269)	333,269
Legal fund budget & expenditures	13,197,400	12,242,788	12,248,300	(5,512)
Adjustments for qualifying				
budget credits	0	0	80,424	(80,424)
Total expenditures	<u>13,197,400</u>	<u>12,242,788</u>	<u>\$ 12,328,724</u>	<u>\$ (85,936)</u>
Receipts over (under) expenditures	0	0		
Unencumbered cash (deficit), July 1,	<u>0</u>	<u>0</u>		
Unencumbered cash (deficit), June 30,	<u>\$ 0</u>	<u>\$ 0</u>		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2b

GENERAL FUNDS
SUPPLEMENTAL GENERAL LOCAL OPTION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Ad valorem property	\$ 2,008,760	\$ 2,354,817	\$ 2,352,330	\$ 2,487
Delinquent	42,417	34,300	21,163	13,137
County sources				
Motor vehicle	303,328	341,340	316,588	24,752
Recreational vehicle tax	7,464	8,259	7,716	543
Commercial vehicle tax	7,602	12,796	13,935	(1,139)
In lieu of taxes IRBs	4,113	0	3,988	(3,988)
State sources				
Supplemental state aid	1,872,861	1,833,233	1,833,233	0
Other Revenues				
Reimbursements	4,214	7,136	0	7,136
Total cash receipts	4,250,759	4,591,881	\$ 4,548,953	\$ 42,928
Expenditures				
Instruction				
Supplies	84,950	127,907	\$ 155,000	\$ (27,093)
Student activities	19,234	27,764	0	27,764
Equipment	44,153	14,948	11,100	3,848
Other	0	0	20,000	(20,000)
General administration				
Purchased professional services	0	0	2,000	(2,000)
Purchased property services	120,156	92,730	120,000	(27,270)
Other purchased services	199,155	210,268	300,000	(89,732)
Operations and maintenance				
Salaries	185,854	194,582	203,000	(8,418)
Employee Benefits	33,314	29,150	37,950	(8,800)
Purchased property services	430,024	497,212	426,956	70,256
Other purchased services	28,864	33,972	39,700	(5,728)
Supplies	739,776	822,519	852,500	(29,981)
Vehicle operating services				
Other purchased services	579,324	568,241	615,000	(46,759)
Motor fuel	68,011	83,593	80,000	3,593
Other supplemental services				
Other purchased services	95,989	108,479	80,000	28,479
Supplies	505	764	5,000	(4,236)
Property	40,483	41,995	25,000	16,995

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2b

GENERAL FUNDS
SUPPLEMENTAL GENERAL LOCAL OPTION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Operating transfers				
Professional Development	\$ 0	\$ 10,000	\$ 0	\$ 10,000
Parent Education Program	26,340	26,340	26,340	0
Special Education	1,063,276	1,058,850	1,031,373	27,477
Textbooks	40,000	0	0	0
Vocational Education	508,000	500,000	519,578	(19,578)
Adjustment to comply with legal maximum	<u>0</u>	<u>0</u>	<u>(101,182)</u>	<u>101,182</u>
Legal fund budget & expenditures	<u>4,307,408</u>	<u>4,449,314</u>	<u>\$ 4,449,315</u>	<u>\$ (1)</u>
Receipts over (under) expenditures	(56,649)	142,567		
Unencumbered cash, July 1	<u>266,364</u>	<u>209,715</u>		
Unencumbered cash, June 30	\$ <u>209,715</u>	\$ <u>352,282</u>		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2c

SPECIAL PURPOSE FUNDS
ADULT EDUCATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over (Under)
Cash Receipts				
State sources				
Adult basic aid	\$ 66,324	\$ 69,938	\$ 70,000	\$ (62)
Federal sources				
Adult education aid	155,297	158,550	158,550	0
Total cash receipts	221,621	228,488	\$ 228,550	\$ (62)
Expenditures				
Instruction				
Salaries	99,352	127,009	\$ 129,360	\$ (2,351)
Employee benefits	29,260	25,675	25,844	(169)
Other purchased services	7,370	7,550	7,550	0
Teaching supplies	12,786	17,034	14,014	3,020
Property	10,080	1,920	2,000	(80)
Student support services				
Salaries	30,845	16,164	20,550	(4,386)
Other purchased services	3,056	3,500	5,000	(1,500)
General administration				
Salaries	20,196	21,832	21,206	626
Supplies	2,743	2,237	8,000	(5,763)
Operation and maintenance				
Purchased property services	0	0	1,600	(1,600)
Supplies	5,933	5,567	4,800	767
Total expenditures	221,621	228,488	\$ 239,924	\$ (11,436)
Receipts over (under) expenditures	0	0		
Unencumbered cash, July 1	11,374	11,374		
Unencumbered cash, June 30	\$ 11,374	\$ 11,374		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2d

SPECIAL PURPOSE FUNDS
ADULT SUPPLEMENTARY EDUCATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Class fees	\$ 3,068	\$ 2,215	\$ 2,000	\$ 215
Miscellaneous	10,120	4,433	37,500	(33,067)
Reimbursements	<u>30,016</u>	<u>30,351</u>	<u>0</u>	<u>30,351</u>
Total cash receipts	<u>43,204</u>	<u>36,999</u>	<u>\$ 39,500</u>	<u>\$ (2,501)</u>
Expenditures				
Instruction				
Salaries	2,209	2,347	\$ 37,182	\$ (34,835)
Employee benefits	171	182	270	(88)
Other purchased services	8,878	724	2,500	(1,776)
Supplies	<u>26,862</u>	<u>25,365</u>	<u>34,230</u>	<u>(8,865)</u>
Total expenditures	<u>38,120</u>	<u>28,618</u>	<u>\$ 74,182</u>	<u>\$ (45,564)</u>
Receipts over (under) expenditures	5,084	8,381		
Unencumbered cash, July 1	<u>29,598</u>	<u>34,682</u>		
Unencumbered cash, June 30	<u>\$ 34,682</u>	<u>\$ 43,063</u>		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2e

SPECIAL PURPOSE FUNDS
AT RISK FUND (K-12)

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Operating transfers				
General fund	\$ 570,000	\$ 1,250,000	\$ 1,138,105	\$ 111,895
Total cash receipts	570,000	1,250,000	<u>1,138,105</u>	<u>111,895</u>
Expenditures				
Instruction				
Salaries	434,586	1,136,944	\$ 1,412,105	\$ (275,161)
Employee benefits	54,879	35,917	66,500	(30,583)
Purchased professional services	7,300	5,500	7,500	(2,000)
Supplies	58,346	22,445	152,000	(129,555)
Instruction support staff				
Purchased professional services	0	5,000	0	5,000
Transportation				
Other	1,645	0	0	0
Total expenditures	556,756	1,205,806	<u>1,638,105</u>	<u>(432,299)</u>
Receipts over (under) expenditures	13,244	44,194		
Unencumbered cash, July 1	759,844	773,088		
Unencumbered cash, June 30	<u>\$ 773,088</u>	<u>\$ 817,282</u>		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2f

SPECIAL PURPOSE FUNDS
BILINGUAL EDUCATION

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Operating transfers				
General fund	\$ 0	\$ 20,000	\$ 0	\$ 20,000
Total cash receipts	0	20,000	0	20,000
Expenditures				
Instruction				
Salaries	342	17,227	\$ 29,275	\$ (12,048)
Other purchased services	0	62	0	62
Total expenditures	342	17,289	29,275	(11,986)
Receipts over (under) expenditures	(342)	2,711		
Unencumbered cash, July 1	29,618	29,276		
Unencumbered cash, June 30	\$ 29,276	\$ 31,987		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2g

SPECIAL PURPOSE FUNDS
VIRTUAL EDUCATION

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Miscellaneous	\$ 0	\$ 0	\$ 10,000	\$ (10,000)
Operating transfers				
General fund	15,000	30,000	50,000	(20,000)
Total cash receipts	15,000	30,000	\$ 60,000	\$ (30,000)
Expenditures				
Instruction				
Other Purchased Services	14,950	26,950	60,050	(33,100)
Total expenditures	14,950	26,950	\$ 60,050	\$ (33,100)
Receipts over (under) expenditures	50	3,050		
Unencumbered cash, July 1	0	50		
Unencumbered cash, June 30	\$ 50	\$ 3,100		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2h

SPECIAL PURPOSE FUNDS
CAPITAL OUTLAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Ad valorem property	\$ 1,068,061	\$ 1,102,540	\$ 1,043,695	\$ 58,845
Delinquent	17,826	16,125	11,405	4,720
Interest	0	90,876	80,000	10,876
Lease	0	13,822	0	13,822
Miscellaneous	22,103	336,061	75,000	261,061
County sources				
Motor vehicle	139,314	143,194	131,370	11,824
Recreational vehicle	3,408	3,501	3,201	300
Commercial vehicle	3,106	6,600	5,783	817
In Lieu of Taxes IRBs	2,217	0	1,655	(1,655)
State Sources				
State aid	332,038	358,798	359,540	(742)
Operating Transfers				0
General fund	67,218	175,863	150,225	25,638
Total cash receipts	<u>1,655,291</u>	<u>2,247,380</u>	<u>\$ 1,861,874</u>	<u>\$ 385,506</u>
Expenditures				
Instruction				
Property	261,319	401,203	\$ 4,773,650	\$ (4,372,447)
Operation and maintenance				
Property	117,510	2,106,358	835,000	1,271,358
Facility acquisition & construction services				
Architectural and Engineering services	0	21,005	10,000	11,005
New building acquisition & construction	548,052	405,106	0	405,106
Transfers to construction	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>1,426,881</u>	<u>2,933,672</u>	<u>\$ 5,618,650</u>	<u>\$ (2,684,978)</u>
Receipts over (under) expenditures	228,410	(686,292)		
Unencumbered cash, July 1	<u>4,528,366</u>	<u>4,756,776</u>		
Unencumbered cash, June 30	\$ <u>4,756,776</u>	\$ <u>4,070,484</u>		

See Independent Auditor's Report.

Unified School District Number 368, Paola
Paola, Kansas

Schedule 2i

SPECIAL PURPOSE FUNDS
DRIVER TRAINING FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Driver education fees	\$ 21,370	\$ 15,950	\$ 21,360	\$ (5,410)
State Sources				
State safety aid	9,344	11,136	12,460	(1,324)
Total cash receipts	30,714	27,086	\$ 33,820	\$ (6,734)
Expenditures				
Instruction				
Salaries	4,450	3,251	\$ 5,000	\$ (1,749)
Employee benefits	(29)	3	300	(297)
Other Purchased Services	19,580	14,300	20,000	(5,700)
Supplies	512	316	37,219	(36,903)
Operations and maintenance				
Supplies	717	601	2,000	(1,399)
Total expenditures	25,230	18,471	\$ 64,519	\$ (46,048)
Receipts over (under) expenditures	5,484	8,615		
Unencumbered cash, July 1	25,216	30,700		
Unencumbered cash, June 30	\$ 30,700	\$ 39,315		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2j

SPECIAL PURPOSE FUNDS
FOOD SERVICE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Student meal receipts	\$ 329,147	\$ 318,744	\$ 326,314	\$ (7,570)
Adult meal receipts	14,752	14,249	0	14,249
Ala Carte meals	93,477	95,479	200,826	(105,347)
Interest	279	264	500	(236)
Reimbursements	16,717	19,281	0	19,281
State sources				
Equalization aid	9,640	9,649	8,060	1,589
Federal sources				
Child nutrition programs	477,159	469,044	460,509	8,535
Total cash receipts	<u>941,170</u>	<u>926,710</u>	<u>\$ 996,209</u>	<u>\$ (69,499)</u>
Expenditures				
Food service operation				
Salaries	437,552	466,368	\$ 481,500	\$ (15,132)
Employee benefits	38,004	47,363	65,209	(17,846)
Other purchased services	3,324	(1,557)	4,500	(6,057)
Supplies	387,666	378,139	889,452	(511,313)
Property	28,492	70,330	23,000	47,330
Other	4,397	5,582	6,500	(918)
Total expenditures	<u>899,435</u>	<u>966,225</u>	<u>\$ 1,470,161</u>	<u>\$ (503,936)</u>
Receipts over (under) expenditures	41,735	(39,515)		
Unencumbered cash, July 1	<u>432,218</u>	<u>473,953</u>		
Unencumbered cash, June 30	<u>\$ 473,953</u>	<u>\$ 434,438</u>		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2k

SPECIAL PURPOSE FUNDS
PROFESSIONAL DEVELOPMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
State Sources				
State aid	\$ 0	\$ 5,920	\$ 3,000	\$ 2,920
Operating transfers				
General	35,000	30,000	30,000	0
Supplemental General	0	10,000	0	10,000
Total cash receipts	35,000	45,920	\$ 33,000	\$ 12,920
Expenditures				
Student support services				
Purchased professional and technical services	\$ 29,636	\$ 37,356	\$ 176,298	\$ (138,942)
Total expenditures	29,636	37,356	\$ 176,298	\$ (138,942)
Receipts over (under) expenditures	5,364	8,564		
Unencumbered cash, July 1	137,934	143,298		
Unencumbered cash, June 30	\$ 143,298	\$ 151,862		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 21

SPECIAL PURPOSE FUNDS
PARENT EDUCATION PROGRAM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Other district payments	\$ 68,045	\$ 68,045	\$ 68,045	\$ 0
Other revenue from Local	3,500	3,000	3,000	0
State sources				
Parent education aid	136,677	196,116	202,553	(6,437)
Federal sources				
Federal Aid	0	50,438	0	50,438
Operating transfers				
Supplemental general	26,340	26,340	26,340	0
Total cash receipts	234,562	343,939	\$ 299,938	\$ 44,001
Expenditures				
Student support services				
Salaries	169,312	180,168	\$ 178,850	\$ 1,318
Employee benefits	24,037	28,202	38,000	(9,798)
Purchased prof & tech services	1,357	11,348	200	11,148
Other purchased services	17,435	16,722	19,800	(3,078)
Supplies	1,461	9,738	1,400	8,338
Property	2,813	28,631	2,000	26,631
Other	18,147	69,130	73,403	(4,273)
Legal budget & expenditures	234,562	343,939	313,653	30,286
Adjustment for qualifying budget credits	0	0	50,438	(50,438)
Total expenditures	234,562	343,939	364,091	(20,152)
Receipts over (under) expenditures	0	0		
Unencumbered cash, July 1	13,715	13,715		
Unencumbered cash, June 30	\$ 13,715	\$ 13,715		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2m

SPECIAL PURPOSE FUNDS
SPECIAL EDUCATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Other	\$ 102,112	\$ 62,631	\$ 150,000	\$ (87,369)
Operating transfers				
General	1,818,261	2,016,751	2,120,324	(103,573)
Supplemental general	1,063,276	1,058,850	1,031,373	27,477
Total cash receipts	<u>2,983,649</u>	<u>3,138,232</u>	<u>\$ 3,301,697</u>	<u>\$ (163,465)</u>
Expenditures				
Instruction				
Salaries	17,870	31,000	\$ 20,000	\$ 11,000
Other purchased services	2,558,116	2,422,560	2,879,697	(457,137)
Supplies	270	351	501,000	(500,649)
Vehicle operating services				
Salaries	829	724	2,500	(1,776)
Employee benefits	1,431	2,264	2,000	264
Purchased property services	343,990	376,409	376,500	(91)
Other purchased services	9,080	8,084	20,000	(11,916)
Total expenditures	<u>2,931,586</u>	<u>2,841,392</u>	<u>\$ 3,801,697</u>	<u>\$ (960,305)</u>
Receipts over (under) expenditures	52,063	296,840		
Unencumbered cash, July 1	<u>1,891,882</u>	<u>1,943,945</u>		
Unencumbered cash, June 30	<u>\$ 1,943,945</u>	<u>\$ 2,240,785</u>		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2n

SPECIAL PURPOSE FUNDS
VOCATIONAL EDUCATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Reimbursements	\$ 803	\$ 37,919	\$ 5,000	\$ 32,919
Miscellaneous	0	0	5,000	(5,000)
State sources				
State aid	3,265	3,043	1,522	1,521
Federal sources				
Vocational aid	0	0	31,889	(31,889)
Operating transfers				
General	135,000	1,799	0	1,799
Supplemental general	508,000	500,000	519,578	(19,578)
Total cash receipts	647,068	542,761	\$ 562,989	\$ (20,228)
Expenditures				
Instruction				
Salaries	363,628	390,776	\$ 907,565	\$ (516,789)
Employee benefits	55,957	54,959	69,450	(14,491)
Purchased professional				
& technical services	0	0	5,877	(5,877)
Other purchased services	3,858	5,893	5,149	744
Supplies	29,630	48,058	40,898	7,160
Property	0	0	14,050	(14,050)
Other	0	0	1,000	(1,000)
Operations and maintenance				
Purchased property services	1,287	2,420	4,000	(1,580)
Student transportation				
Other	8,089	22,806	15,000	7,806
Total expenditures	462,449	524,912	\$ 1,062,989	\$ (538,077)
Receipts over (under) expenditures	184,619	17,849		
Unencumbered cash, July 1	796,944	981,563		
Unencumbered cash, June 30	\$ 981,563	\$ 999,412		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2o

SPECIAL PURPOSE FUNDS
KANSAS PUBLIC RETIREMENT SYSTEM

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
State sources				
State aid	\$ 0	\$ 2,558,848	\$ 2,677,810	\$ (118,962)
Operating transfers				
General	1,622,915	0	0	0
Total cash receipts	1,622,915	2,558,848	2,677,810	(118,962)
Expenditures				
Instruction				
Employee benefits	1,290,639	2,036,750	\$ 2,140,524	\$ (103,774)
Student support				
Employee benefits	91,825	143,168	149,697	(6,529)
Instructional support				
Employee benefits	30,724	47,553	48,975	(1,422)
General administration				
Employee benefits	48,689	75,035	75,402	(367)
School administration				
Employee benefits	63,425	98,759	101,828	(3,069)
Other supplemental services				
Employee benefits	16,501	27,781	28,089	(308)
Maintenance				
Employee benefits	52,441	80,328	74,661	5,667
Student transportation services				
Employee benefits	0	125	0	125
Food service				
Employee benefits	28,671	49,349	58,634	(9,285)
Total expenditures	1,622,915	2,558,848	\$ 2,677,810	\$ (118,962)
Receipts over (under) expenditures	0	0		
Unencumbered cash, July 1	0	0		
Unencumbered cash, June 30	\$ 0	\$ 0		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2p

SPECIAL PURPOSE FUNDS
CO-OP SPECIAL EDUCATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Other districts payments	\$ 8,435,892	\$ 9,103,364	\$ 9,437,118	\$ (333,754)
USD 368 payments	2,243,969	2,103,082	3,359,697	(1,256,615)
Interest	9,235	9,605	15,000	(5,395)
Reimbursements	305,432	483,485	0	483,485
State sources				
Greenbush	238,947	223,478	0	223,478
Federal sources				
Title VI B	1,774,750	1,795,861	1,773,940	21,921
Medicaid	455,708	425,830	500,000	(74,170)
Total cash receipts	<u>13,463,933</u>	<u>14,144,705</u>	<u>\$ 15,085,755</u>	<u>\$ (941,050)</u>
Expenditures				
Instruction				
Salaries	9,871,692	10,951,781	\$ 11,048,881	\$ (97,100)
Employee benefits	1,660,895	1,808,285	1,951,000	(142,715)
Purchased professional services	0	0	235,874	(235,874)
Other purchased services	712,036	721,837	530,000	191,837
Supplies	85,253	94,027	1,087,000	(992,973)
Student support services				
Salaries	690,302	731,066	750,000	(18,934)
Special area administrative services				
Salaries	182,391	197,782	206,000	(8,218)
Operations and maintenance				
Purchased professional services	7,566	9,970	15,000	(5,030)
Purchased property services	1,247	1,252	7,000	(5,748)
Other purchased services	74,782	73,482	115,000	(41,518)
Vehicle operating service				
Other purchased services	107,704	101,067	130,500	(29,433)
Supplies	6,638	7,356	9,500	(2,144)
Total expenditures	<u>13,400,506</u>	<u>14,697,905</u>	<u>\$ 16,085,755</u>	<u>\$ (1,387,850)</u>
Receipts over (under) expenditures	63,427	(553,200)		
Unencumbered cash, July 1	<u>2,135,861</u>	<u>2,199,288</u>		
Unencumbered cash, June 30	<u>\$ 2,199,288</u>	<u>\$ 1,646,088</u>		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2q

SPECIAL PURPOSE FUNDS
SPECIAL ASSESSMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Ad valorem property	\$ 0	\$ 1	\$ 0	\$ 1
Delinquent tax	138	74	0	74
County sources				
Motor vehicle	2,334	2	0	2
Recreational vehicle tax	56	0	0	0
Commercial vehicle tax	25	0	0	0
	<u>2,553</u>	<u>77</u>	<u>0</u>	<u>77</u>
Total cash receipts				
Expenditures				
Facilities acquisition				
Site improvement services	0	0	26,341	(26,341)
	<u>0</u>	<u>0</u>	<u>26,341</u>	<u>(26,341)</u>
Receipts over (under) expenditures	2,553	77		
Unencumbered cash, July 1	<u>23,789</u>	<u>26,342</u>		
Unencumbered cash, June 30	<u>\$ 26,342</u>	<u>\$ 26,419</u>		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2r

SPECIAL PURPOSE FUNDS
TITLE I

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the year ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Cash Receipts		
Federal sources		
Grant	\$ 304,742	\$ 320,954
Expenditures		
Instruction		
Salaries	256,638	267,978
Employee benefits	41,985	45,757
Supplies	1,649	0
Purchased professional services	1,500	1,500
Student support services		
Other purchased services	2,970	5,719
Total expenditures	304,742	320,954
Receipts over (under) expenditures	0	0
Unencumbered cash, July 1	0	0
Unencumbered cash, June 30	\$ 0	\$ 0

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2s

SPECIAL PURPOSE FUNDS
TITLE II A TEACHER QUALITY IMPROVEMENT GRANT

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Cash Receipts		
Federal sources		
Grants	\$ <u>42,923</u>	\$ <u>51,817</u>
Expenditures		
Instruction		
Salaries	24,946	39,788
Purchased professional & technical services	<u>17,977</u>	<u>12,029</u>
Total expenditures	<u>42,923</u>	<u>51,817</u>
Receipts over (under) expenditures	0	0
Unencumbered cash, July 1	<u>0</u>	<u>0</u>
Unencumbered cash, June 30	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2t

SPECIAL PURPOSE FUNDS
VOCATIONAL EDUCATION - CARL PERKINS GRANT

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Cash Receipts		
Federal sources		
Grant	\$ 31,976	\$ 31,889
 Expenditures		
Instruction		
Salaries	1,551	1,565
Supplies	7,010	10,116
Professional development	7,380	6,116
Property	<u>16,035</u>	<u>14,092</u>
 Total expenditures	<u>31,976</u>	<u>31,889</u>
 Receipts over (under) expenditures	0	0
 Unencumbered cash, July 1	<u>0</u>	<u>0</u>
 Unencumbered cash, June 30	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2u

SPECIAL PURPOSE FUNDS
CONTINGENCY RESERVE

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the year ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Cash Receipts		
Operating transfers		
General Fund	\$ 0	\$ 0
	<u>0</u>	<u>0</u>
Expenditures		
Receipts over (under) expenditures	0	0
Unencumbered cash, July 1	<u>1,144,000</u>	<u>1,144,000</u>
Unencumbered cash, June 30	<u>\$ 1,144,000</u>	<u>\$ 1,144,000</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2v

SPECIAL PURPOSE FUNDS
STUDENT MATERIAL REVOLVING FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the year ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Cash Receipts		
Local sources		
Rental fees	\$ 159,337	\$ 150,075
Federal sources		
Federal Aid	0	150
Operating transfers		
General	100,000	50,000
Supplemental general	<u>40,000</u>	<u>0</u>
 Total revenue	 <u>299,337</u>	 <u>200,225</u>
 Expenditures		
Instruction		
Textbook purchases	<u>116,554</u>	<u>181,093</u>
 Receipts over (under) expenditures	 182,783	 19,132
 Unencumbered cash, July 1	 <u>353,365</u>	 <u>536,148</u>
 Unencumbered cash, June 30	 <u>\$ 536,148</u>	 <u>\$ 555,280</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2w

BOND & INTEREST FUNDS
BOND & INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

		2018		Variance
	2017	Actual	Budget	Over
	Actual			(Under)
Cash Receipts				
Local sources				
Ad valorem property	\$ 1,815,348	\$ 1,448,225	\$ 1,370,826	\$ 77,399
Delinquent	24,309	23,529	19,653	3,876
Other	0	4,998	0	4,998
County sources				
Motor vehicle	184,345	193,634	175,152	18,482
Recreational vehicle	7,767	4,796	4,269	527
Commercial vehicle	3,754	10,993	7,710	3,283
In lieu of taxes IRBs	3,811	0	2,207	(175,152)
State sources				
Equalization aid	849,311	566,090	566,090	563,883
Total cash receipts	2,888,645	2,252,265	\$ 2,145,907	\$ 497,296
Expenditures				
Debt service				
Bond principal	2,135,000	1,220,000	\$ 549,032	\$ 670,968
Interest	604,714	549,032	1,220,000	(670,968)
Total expenditures	2,739,714	1,769,032	\$ 1,769,032	\$ 0
Receipts over (under) expenditures	148,931	483,233		
Unencumbered cash, July 1,	2,734,817	2,883,748		
Unencumbered cash, June 30,	\$ 2,883,748	\$ 3,366,981		

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2x

CAPITAL PROJECT FUNDS
CONSTRUCTION

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the year ended June 30, 2018

(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	2017 Actual	2018 Actual
Cash Receipts		
Local sources		
Transfers from capital outlay	\$ 500,000	\$ 0
Total cash receipts	<u>500,000</u>	<u>0</u>
Expenditures		
Construction		
Electrical safety & security - phase 1	(2,222)	0
Construction contingency - phase 1	(6,083)	0
Management fees - phase 2	60,578	0
Architect fees - phase 2	26,716	14,392
Carpentry & doors - phase 2	40,886	0
Roofing/sheet metal - phase 2	(27,640)	0
Glass & glazing - phase 2	650	0
Gypsum assemblies - phase 2	(120,614)	0
Painting - phase 2	(4,103)	0
Gym equipment - phase 2	(17,605)	0
Electrical & communications - phase 2	3,138	0
Synthetic turf - phase 2	(135)	0
Sports landscaping - phase 2	202,052	0
Insurance - phase 2	2,223	0
Construction management fee - phase 2	(12,614)	0
General expenses - phase 2	5,576	0
Owner Provided Equipment - phase 2	(18,015)	0
Owner Contingency	0	23
Earthwork & utilities - phase 2	2,999	0
Biology Lab/Greenhouse	213,485	(9,003)
Industrial Park Building	<u>25,000</u>	<u>268,172</u>
Total expenditures	<u>374,272</u>	<u>273,584</u>
Receipts over (under) expenditures	125,728	(273,584)
Unencumbered cash, July 1	<u>147,856</u>	<u>273,584</u>
Unencumbered cash, June 30	<u>\$ 273,584</u>	<u>\$ 0</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2y

BUSINESS TYPE FUNDS
HEALTH INSURANCE

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the year ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>
Cash Receipts		
Local sources		
Interest	\$ 6,649	\$ 5,080
Miscellaneous income	0	603
Reimbursements	<u>2,242,613</u>	<u>2,258,578</u>
Total cash receipts	<u>2,249,262</u>	<u>2,264,261</u>
Expenditures		
General		
Claims	2,366,007	2,430,340
Administrative fees	<u>393,528</u>	<u>421,533</u>
Total expenditures	<u>2,759,535</u>	<u>2,851,873</u>
Receipts over (under) expenditures	(510,273)	(587,612)
Unencumbered cash, July 1	<u>1,276,569</u>	<u>766,296</u>
Unencumbered cash, June 30	<u>\$ 766,296</u>	<u>\$ 178,684</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 2z

TRUST TYPE FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the year ended June 30, 2018

<u>Expendable Scholarship Trust Funds</u>	Beginning Unencumbered Cash	Cash Receipts	Expenditures	Ending Unencumbered Cash
Greason Scholarship	\$ 1,902	\$ 56	\$ 108	\$ 1,850
Humphrey Scholarship	10,011	161	160	10,012
Darland Scholarship	4,506	115	90	4,531
Hileman Scholarship	7,467	224	160	7,531
Charitable Foundation Scholarship	82,771	32,662	77,578	37,855
Panther Friends Scholarship	0	17,371	2,996	14,375
Cops for Tots Scholarship	0	4,706	0	4,706
Serving our Students Scholarship	0	38,882	5,380	33,502
Miami Co Med Center Scholarship	0	11,012	4,163	6,849
Total Expendable Scholarship Trust Funds	\$ <u>106,657</u>	\$ <u>105,189</u>	\$ <u>90,635</u>	\$ <u>121,211</u>
<u>Permanent Trust Funds</u>	Beginning Unencumbered Cash	Cash Receipts	Expenditures	Ending Unencumbered Cash
Cook Scholarship	\$ <u>258,094</u>	\$ <u>3,945</u>	\$ <u>3,945</u>	\$ <u>258,094</u>
Total Permanent Scholarship Trust Funds	<u>258,094</u>	<u>3,945</u>	<u>3,945</u>	<u>258,094</u>
Total Trust Funds	\$ <u>364,751</u>	\$ <u>109,134</u>	\$ <u>94,580</u>	\$ <u>379,305</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 3

AGENCY FUNDS
STUDENT ORGANIZATION FUNDS

SCHEDULE OF RECEIPTS, EXPENDITURES AND CASH BALANCES
REGULATORY BASIS
For the year ended June 30, 2018

	Beginning Cash Balance	Cash Receipts	Cash Expenditures	Ending Cash Balance
Sunflower Elementary School				
Yearbook	\$ 144	\$ 2,645	\$ 2,789	\$ 0
Field Trips	0	989	989	0
Student Council (vending)	465	1,255	1,261	459
Endowment Grant-Roman Barn	0	280	280	0
Miscellaneous	2,462	4,573	5,533	1,502
PTO	3,481	2,000	2,490	2,991
Donations	3,630	1,887	1,640	3,877
Teacher Grant	0	1,537	1,537	0
Library	0	17	17	0
	<u>0</u>	<u>17</u>	<u>17</u>	<u>0</u>
Total Sunflower Elementary	\$ <u>10,182</u>	\$ <u>15,183</u>	\$ <u>16,536</u>	\$ <u>8,829</u>
Paola Middle School				
Box Tops for Education	\$ 2,412	\$ 159	\$ 0	\$ 2,571
Student Council	2,233	0	972	1,261
Target (rebates)	57	1,269	877	449
Band	2,173	1,200	2,078	1,295
Drama/Scholarship	1,384	0	0	1,384
Donations	3,947	2,590	5,172	1,365
Teacher of the Year	10	0	10	0
Promotions	358	2,704	2,706	356
PMS Vocal Music	2,081	1,200	1,106	2,175
Magazine Sales	17,741	21,645	23,144	16,242
Miscellaneous	489	8,982	5,631	3,840
Roman-B Mini-Grant	0	2,325	2,325	0
Yearbook	0	7,296	7,296	0
School Book Fair	419	3,452	3,661	210
Love to Learn	0	250	0	250
Concessions	250	2,289	2,289	250
F.I.R.S.T. LEGO	1,221	0	0	1,221
Kansas Association	2,128	2,173	2,900	1,401
Cheerleaders	3,421	3,780	4,719	2,482
Students Against Drunk Drivers	342	0	56	286
Chromebook	0	567	567	0
Athletic Donations	3,917	0	2,305	1,612
	<u>3,917</u>	<u>0</u>	<u>2,305</u>	<u>1,612</u>
Total Paola Middle School	\$ <u>44,583</u>	\$ <u>61,881</u>	\$ <u>67,814</u>	\$ <u>38,650</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 3

AGENCY FUNDS
STUDENT ORGANIZATION FUNDS

SCHEDULE OF RECEIPTS, EXPENDITURES AND CASH BALANCES
REGULATORY BASIS
For the year ended June 30, 2018

	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Expenditures</u>	<u>Ending Cash Balance</u>
Paola High School				
Athletic Donations	\$ 1,598	\$ 1,568	\$ 2,380	\$ 786
F.B.L.A.	544	283	220	607
Band	2,731	18,542	4,776	16,497
Concessions	653	15,253	13,113	2,793
Class of 2017	291	0	291	0
Class of 2018	1,093	7,324	7,661	756
Class of 2019	2,331	7,127	4,406	5,052
Class of 2020	1,735	1,191	5	2,921
Class of 2021	0	1,073	5	1,068
Chromebook Repairs	0	328	328	0
F.C.A.	67	0	0	67
F.F.A.	3,229	30,271	28,590	4,910
FCCLA	342	597	569	370
Advertising	4,497	0	3,797	700
Kansas Associates	704	130	239	595
Madrigals Club	3,622	6,059	772	8,909
National Honor Society	1,072	258	818	512
Rat Pack	64	1,404	1,468	0
Robotics	20,090	15,371	15,759	19,702
Scholar Bowl	661	1,450	1,151	960
Scholarships	338	410	410	338
Spirit Squad	6,707	24,120	26,484	4,343
S.A.D.D.	814	1,400	1,399	815
Student Council	1,380	7,043	8,033	390
Counseling Donations	736	0	75	661
Drama Club	480	6,069	6,549	0
Strength Club	0	1,802	1,094	708
Flag Team Club	257	0	0	257
ACE/Football	8,686	9,054	13,977	3,763
Thespian Club	316	36,447	34,410	2,353
Drill Team	1,290	4,277	3,703	1,864
Leadership Class	767	6,476	6,243	1,000
IHT	0	1,312	1,030	282
Reporter	1,162	3,218	4,330	50
Grant/Ward	422	0	0	422
Photography	54	0	0	54
Miscellaneous	1,313	7,278	8,382	209
Baseball	1,353	8,333	8,250	1,436
Cross Country	4	238	237	5

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 3

AGENCY FUNDS
STUDENT ORGANIZATION FUNDS

SCHEDULE OF RECEIPTS, EXPENDITURES AND CASH BALANCES
REGULATORY BASIS
For the year ended June 30, 2018

	Beginning Cash Balance	Cash Receipts	Cash Expenditures	Ending Cash Balance
Paola High School - continued				
Softball	\$ 3,946	\$ 4,837	\$ 2,957	\$ 5,826
Girls Basketball	3,269	593	970	2,892
Boys Basketball	1,110	5,574	5,650	1,034
Volleyball	2,501	9,265	8,847	2,919
Wrestling	0	1,632	1,014	618
Culinary Arts	327	966	1,249	44
Breakfast Club	215	0	0	215
SKILLSUSA Club	808	7,087	7,895	0
Donations	1,352	1,049	2,350	51
	<u>84,931</u>	<u>256,709</u>	<u>241,886</u>	<u>99,754</u>
Total Paola High School	\$ 84,931	\$ 256,709	\$ 241,886	\$ 99,754
Cottonwood Elementary School				
Donations	\$ 1,407	\$ 3,445	\$ 4,839	\$ 13
Field Trips	0	6,237	6,237	0
PTO	1,514	3,237	3,698	1,053
Night at the Museum	2,806	10,854	10,489	3,171
Roman-B Mini-Grant	0	3,200	3,200	0
Teacher of the Year	0	517	517	0
Library	0	152	152	0
Miscellaneous	0	5	5	0
Science Department	14	0	0	14
Lowes Education	261	0	55	206
	<u>6,002</u>	<u>27,647</u>	<u>29,192</u>	<u>4,457</u>
Total Cottonwood Elementary	\$ 6,002	\$ 27,647	\$ 29,192	\$ 4,457
Adult Education Center				
Miscellaneous	\$ 37	\$ 0	\$ 0	\$ 37
	<u>37</u>	<u>0</u>	<u>0</u>	<u>37</u>
Panther Robotics	\$ 808	\$ 1,865	\$ 758	\$ 1,915
	<u>808</u>	<u>1,865</u>	<u>758</u>	<u>1,915</u>
Total All Schools	\$ 146,543	\$ 363,285	\$ 356,186	\$ 153,642
	<u>146,543</u>	<u>363,285</u>	<u>356,186</u>	<u>153,642</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 4

DISTRICT ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH BALANCES
REGULATORY BASIS
For the year ended June 30, 2018

	Unencumbered Cash Balance Beginning	Cash Receipts	Expenditures	Unencumbered Cash Balance Ending
Sunflower Elementary School				
Fees and User Charges				
Activity	\$ 0	\$ 4,747	\$ 4,747	\$ 0
Sales Tax	0	229	229	0
Petty Cash	0	2,018	2,018	0
Total	<u>0</u>	<u>6,994</u>	<u>6,994</u>	<u>0</u>
Paola Middle School				
Gate Receipts				
Athletics	<u>2,500</u>	<u>23,700</u>	<u>23,700</u>	<u>2,500</u>
Fees and User Charges				
Vending	0	1,357	1,357	0
Activities	0	3,672	3,672	0
Yearbook	0	7,296	7,296	0
Chromebook	0	567	567	0
Petty Cash	0	1,053	1,053	0
Sales Tax	0	1,491	1,491	0
Pay to Participate	0	9,160	9,160	0
Total	<u>0</u>	<u>24,596</u>	<u>24,596</u>	<u>0</u>
Paola High School				
Fees and User Charges				
D-Art Fees	0	7,902	7,902	0
Tech Fees	0	3,364	3,364	0
Chromebook Repairs	0	328	328	0
Book	0	4,262	4,262	0
Drivers Education	0	9,230	9,230	0
Pay to Participate	0	12,580	12,580	0
Vending	288	13	243	58
Lab	0	14	14	0
Vocational Ag	0	679	679	0
Woodworking	0	7,962	7,962	0
Sales Tax	0	10,892	10,892	0
Roman Barnard	0	2,775	2,775	0
Media Center	0	293	293	0
Teacher of the Year	0	1,000	1,000	0
Yearbook Fees	0	36,786	36,786	0
Athletics	0	6,771	6,771	0
Drama/Play	1,128	9,004	9,994	138
Petty Cash	0	1,350	1,350	0
Total	<u>1,416</u>	<u>115,205</u>	<u>116,425</u>	<u>196</u>
Gate Receipts	<u>2,390</u>	<u>76,723</u>	<u>73,114</u>	<u>5,999</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

DISTRICT ACTIVITY FUNDS

SCHEDULE OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH BALANCES
REGULATORY BASIS

For the year ended June 30, 2018

	Unencumbered Cash Balance Beginning	Cash Receipts	Expenditures	Unencumbered Cash Balance Ending
Cottonwood Elementary School				
Fees and User Charges				
Petty Cash	\$ 0	\$ 393	\$ 393	\$ 0
Vending	0	498	498	0
Sales Tax	0	217	217	0
Yearbook	0	3,351	3,351	0
Activities	0	3,619	3,619	0
	<u>0</u>	<u>8,078</u>	<u>8,078</u>	<u>0</u>
Administration Activity Fund				
Fees and charges	1,495	7,372	6,193	2,674
	<u>1,495</u>	<u>7,372</u>	<u>6,193</u>	<u>2,674</u>
Total All Schools	\$ <u>7,801</u>	\$ <u>262,668</u>	\$ <u>259,100</u>	\$ <u>11,369</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 5

RELATED MUNICIPAL ENTITY
 ENDOWMENT TRUSTS

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDING BALANCES
 REGULATORY BASIS
 For the year ended June 30, 2018

Endowment Fund Scholarships	Beginning Balance	Cash Receipts	Cash Expenditures	Ending Balance
Bea Mount	\$ 86,954	\$ 10,360	\$ 3,750	\$ 93,564
Carl Gump	150,735	27,433	12,534	165,634
William & Carol Young	222,133	26,359	9,000	239,492
Derek Leis	10,899	1,788	1,000	11,687
Edna Patterson	250,515	29,593	10,000	270,108
McLaughlin/Boyd/Emery	42,626	5,035	2,000	45,661
Myrtle Haug	30,631	4,198	1,800	33,029
Evening Lions	19,925	2,354	1,000	21,279
Rotary Scholars	21,102	5,493	4,000	22,595
McNelly Scholars	4,791	566	200	5,157
Nettie Hook	78,391	9,024	4,947	82,468
Walter and Lucille Smith	19,168	2,264	650	20,782
Schwartz Family	53,989	6,378	2,800	57,567
Vivian Kircher	9,995	1,180	400	10,775
Hillsdale Elementary	10,400	2,194	500	12,094
USD #368 Endowment	38,405	36,599	27,600	47,404
Jesse Barker	28,867	3,410	1,400	30,877
Quincy Hipp	8,546	1,010	400	9,156
Tracy Kohl	5,697	1,174	500	6,371
Stockwell	19,801	2,340	1,000	21,141
Frances Balocca	0	4,000	4,000	0
Roman/Barnard	214,285	24,529	11,400	227,414
Ralph and Ersa Wilcox Rossman	28,378	3,352	1,500	30,230
Ellyn Reynolds	314,996	40,828	13,500	342,324
Chloe Hays	2,381	281	806	1,856
Darrel Hurlbut	14,814	1,750	700	15,864
Kevin Armstrong	6,219	1,235	300	7,154
Diana Green	5,653	1,168	400	6,421
Kirk Wilson	18,181	2,147	750	19,578
W.C. Hartley	16,066	1,898	800	17,164
Carl Buchman	46,740	5,580	500	51,820
Vest Family	419,389	49,542	22,000	446,931
E. J. Meeks	56,182	6,637	3,000	59,819
Paola County	4,146	490	1,250	3,386
5 for 5	0	878	500	378
Dr. Robert Banks	10,044	11,186	500	20,730
PEO Sisterhood	17,005	2,158	1,000	18,163
Nada Thoden Memorial	11,218	1,884	500	12,602
Wendell & Louses Winkler	10,481	1,797	500	11,778
Steff (Knecht)	0	6,812	1,500	5,312

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

Schedule 5

RELATED MUNICIPAL ENTITY
ENDOWMENT TRUSTS

SCHEDULE OF RECEIPTS, EXPENDITURES AND ENDING BALANCES
REGULATORY BASIS
For the year ended June 30, 2018

Endowment Fund Scholarships	<u>Beginning Balance</u>	<u>Cash Receipts</u>	<u>Cash Expenditures</u>	<u>Ending Balance</u>
Nevious Scholars	\$ 0	\$ 21,000	\$ 1,000	\$ 20,000
Dennis A Kurteng	49,899	5,944	0	55,843
Interest	601	3,334	3,376	559
Dividends	38,172	109,755	123,757	24,170
Stock Gains/Losses	103,304	28,425	184,155	(52,426)
Administration	<u>(309)</u>	<u>3,000</u>	<u>3,963</u>	<u>(1,272)</u>
	<u>\$ 2,501,415</u>	<u>\$ 518,362</u>	<u>\$ 467,138</u>	<u>\$ 2,552,639</u>

See Independent Auditor's Report.

Unified School District Number 368
Paola, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grant	Federal	Pass		
Pass Through Grantor/Program Title	CFDA	Through	Revenues	Expenditures
	Number	Grantor's		
		Number		
<u>U.S. Department of Education</u>				
<u>Pass Through Kansas Department of Education</u>				
Special Ed Cluster				
Special Education Grants to States	84.027	N/A	\$ 1,728,634	\$ 1,728,634
Special Education Preschool	84.173	N/A	55,643	55,643
Total Special Education Cluster			1,784,277	1,784,277
Title I Grants to Local Education Agencies	84.010	DO368	312,808	312,808
Vocational Education	84.048	N/A	31,889	31,889
Title IIA Improving Teacher Quality	84.367	DO368	51,817	51,817
Student Support & Academic Enrichment	84.424	N/A	8,146	8,146
<u>Pass Through Kansas Board of Regents</u>				
Adult Education	84.002	N/A	158,550	158,550
Total U.S. Department of Education			2,347,487	2,347,487
<u>U.S. Department of Agriculture</u>				
<u>Pass Through Kansas Department of Education</u>				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A	92,733	92,733
National School Lunch Program	10.555	N/A	369,917	369,917
Summer Food Program for Children	10.559	N/A	6,144	6,144
Total Child Nutrition Cluster			468,794	468,794
Team Nutrition Training	10.574	N/A	250	250
Total U.S. Department of Agriculture			469,044	469,044
<u>U.S. Department of Health and Human Services</u>				
<u>Pass Through Kansas Department of Education</u>				
Youth Risk Behavior Survey	93.079		150	150
Temporary Assistance for Needy Families	93.558	N/A	50,438	50,438
Total U.S. Department of Health & Human Services			50,588	50,588
<u>U.S. Department of Homeland Security</u>				
<u>Pass Through Kansas Department of Education</u>				
Emergency Management Performance Grant	97.042	N/A	11,584	11,584
Total revenues and expenditures of federal awards			\$ 2,878,703	\$ 2,878,703

The District did not provide federal awards to sub recipients for the year ended June 30, 2018

See accompanying notes to this schedule.

Unified School District Number 368
Paola, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2018

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Unified School District Number 368 under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Unified School District Number 368, it is not intended to and does not present the summary of receipts, expenditures and unencumbered cash of Unified School District Number 368.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule of Expenditures of Federal Awards are reported based upon the Kansas Municipal Audit and Accounting Guide.

NOTE C. INDIRECT COST RATE

Unified School District Number 368 did not use the standard indirect cost rate of 10%.

SPECIAL REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Unified School District Number 368
Paola, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Unified School District Number 368 as of and for the year ended June 30, 2018, and the related notes to the financial statement, which comprise the District's regulatory basis financial statements and have issued our report thereon dated September 19, 2018. The District prepares its financial statements on a regulatory basis of accounting which demonstrates compliance with *Kansas Municipal Audit and Accounting Guide*, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Opfer & Goodert, Chartered

September 20, 2018
Ottawa, Kansas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Unified School District Number 368
Paola, Kansas

Report on Compliance for Each Major Federal Program

We have audited Unified School District Number 368's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on each Major Federal Program

In our opinion, the District complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018..

Report Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based upon requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Agler & Goedert, Chartered

September 20, 2018
Ottawa, Kansas

**Unified School District Number 368
Paola, Kansas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP	<u>Adverse</u>
Type of report the auditor issued on whether the financial statement audited was prepared in accordance with regulatory basis	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses:	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses:	<u>None noted</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal awards	<u>No</u>

Identification of major programs:

<u>CFDA Number's</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
Special Ed Cluster		
84.027	Special Education EHC Flo-thru	\$ 1,728,634
84.173	Special Education Preschool	55,643
		<u>\$ 1,784,277</u>
Dollar threshold used to distinguish between Type A and Type B programs		<u>\$ 750,000</u>
Auditee qualified as a low-risk auditee?		No